

# Fact Sheet

## Module 8—Tax Credit for Child and Dependent Care Expenses

A tax credit is a dollar-for-dollar reduction of the tax. The tax credit for child and dependent care expenses allows taxpayers to claim a credit for expenses paid for the care of children under age 13 and for a disabled spouse or dependent. In order to claim the credit, the taxpayer, child or dependent, and expenses must meet numerous requirements. The maximum amount of qualifying expenses is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons in 2004. The credit is between 20 and 35 percent of the qualifying expenses.

Form <b>2441</b> Department of the Treasury Internal Revenue Service (99)	<b>Child and Dependent Care Expenses</b> ▶ Attach to Form 1040. ▶ See separate instructions.	OMB No. 1545-0068 <div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>2004</b>          Attachment          Sequence No. <b>21</b> </div>
Name(s) shown on Form 1040		Your social security number

**Before you begin:** You need to understand the following terms. See **Definitions** on page 1 of the instructions.

- **Dependent Care Benefits**
- **Qualifying Person(s)**
- **Qualified Expenses**

**Part I** **Persons or Organizations Who Provided the Care**—You must complete this part.  
 (If you need more space, use the bottom of page 2.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)

Did you receive dependent care benefits?
 

No —————> Complete only Part II below.  
 Yes —————> Complete Part III on the back next.

**Caution.** If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 61.

**Part II** **Credit for Child and Dependent Care Expenses**

**2** Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

2	(a) Qualifying person's name	(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2004 for the person listed in column (a)
	First Last		

**3** Add the amounts in column (c) of line 2. **Do not** enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 32

**4** Enter your **earned income**. See instructions

**5** If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); **all others**, enter the amount from line 4

**6** Enter the **smallest** of line 3, 4, or 5

**7** Enter the amount from Form 1040, line 37

**8** Enter on line 8 the decimal amount shown below that applies to the amount on line 7

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**9** Multiply line 6 by the decimal amount on line 8. If you paid 2003 expenses in 2004, see the instructions

**10** Enter the amount from Form 1040, line 45, minus any amount on Form 1040, line 46

**11** **Credit for child and dependent care expenses.** Enter the **smaller** of line 9 or line 10 here and on Form 1040, line 47.

## **Taxpayer Requirements**

The taxpayer must:

- Incur expenses in order to work or look for work.
- Earn income for work performed during the year (there is an exception).
- File a joint return, if married (there is an exception).
- Maintain a home that was also the home of a qualifying person.
- Pay the expenses to someone other than the taxpayer's child under age 19 or the taxpayer's dependent claimed on the tax return.

## **Child or Dependent Requirements**

A qualifying person is a

- child, under the age of 13, for whom a dependency exemption is claimed;
- dependent, or a person who could be claimed as a dependent if his or her gross income was less than the exemption amount, who is physically or mentally incapable of self-care; or
- spouse who is physically or mentally incapable of self-care.

## **Expense Requirements**

Qualified expenses include

- household services and
- care services.